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Economic Investment, Corruption, Fragility,
and Democracy:How the PRC leverages States
pre-existing internal conditions to gain advantage

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Background

- This research focuses on how the People’s Republic of China (PRC) is using various types of economic investment to gain strategic concessions from developing states.
- There appears to be a dichotomous approach to the PRC’s investment strategy. On the one hand, they invest in stable, uncorrupt, democratic economies. On the other, the PRC chooses to invest in corrupt, instable, and autocratic economies.
- Prior to this research, the USG lacked the ability to develop indicator patterns that have substantive and statistical significance in predicting areas where the PRC will attempt to exploit investment to gain strategic concessions.

Research Question

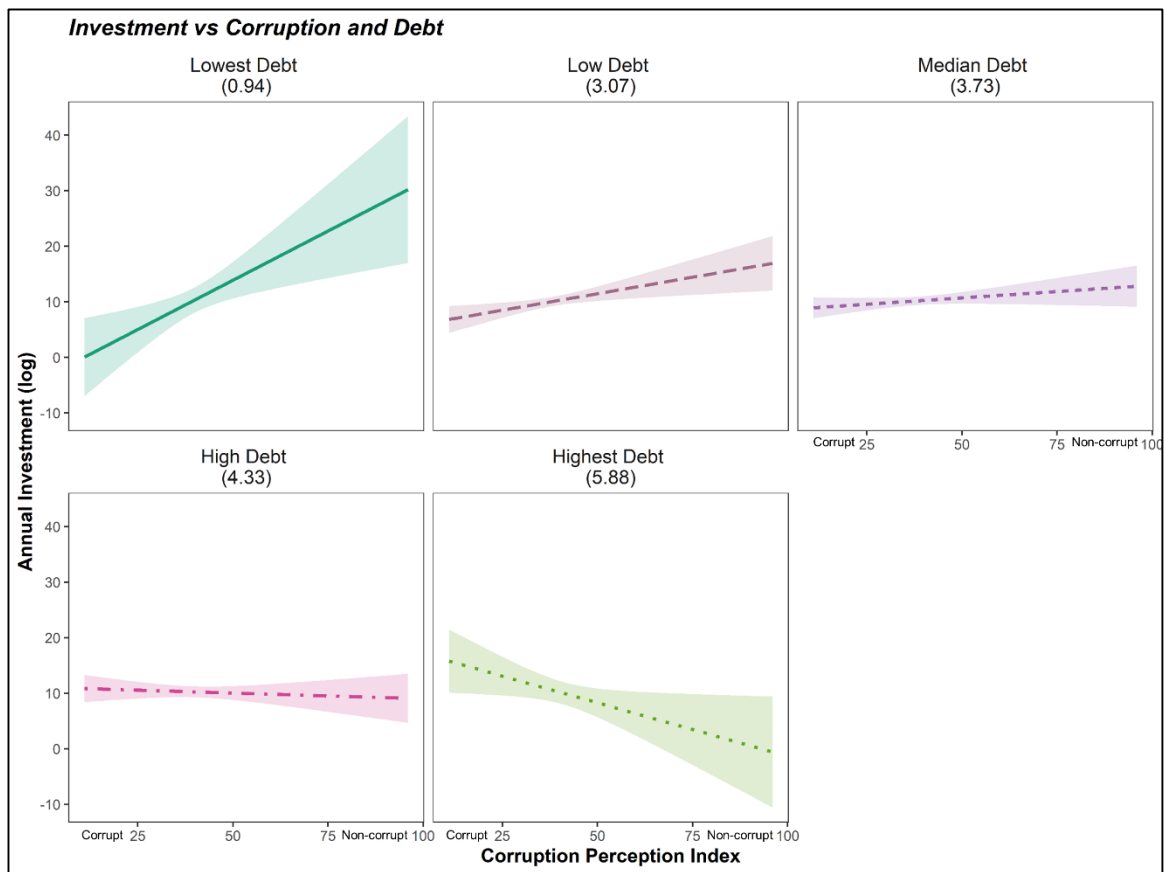
- How does the PRC's use of economic investment exploit pre-existing levels of corruption, fragility, and freedom to gain strategic concessions?

Research design

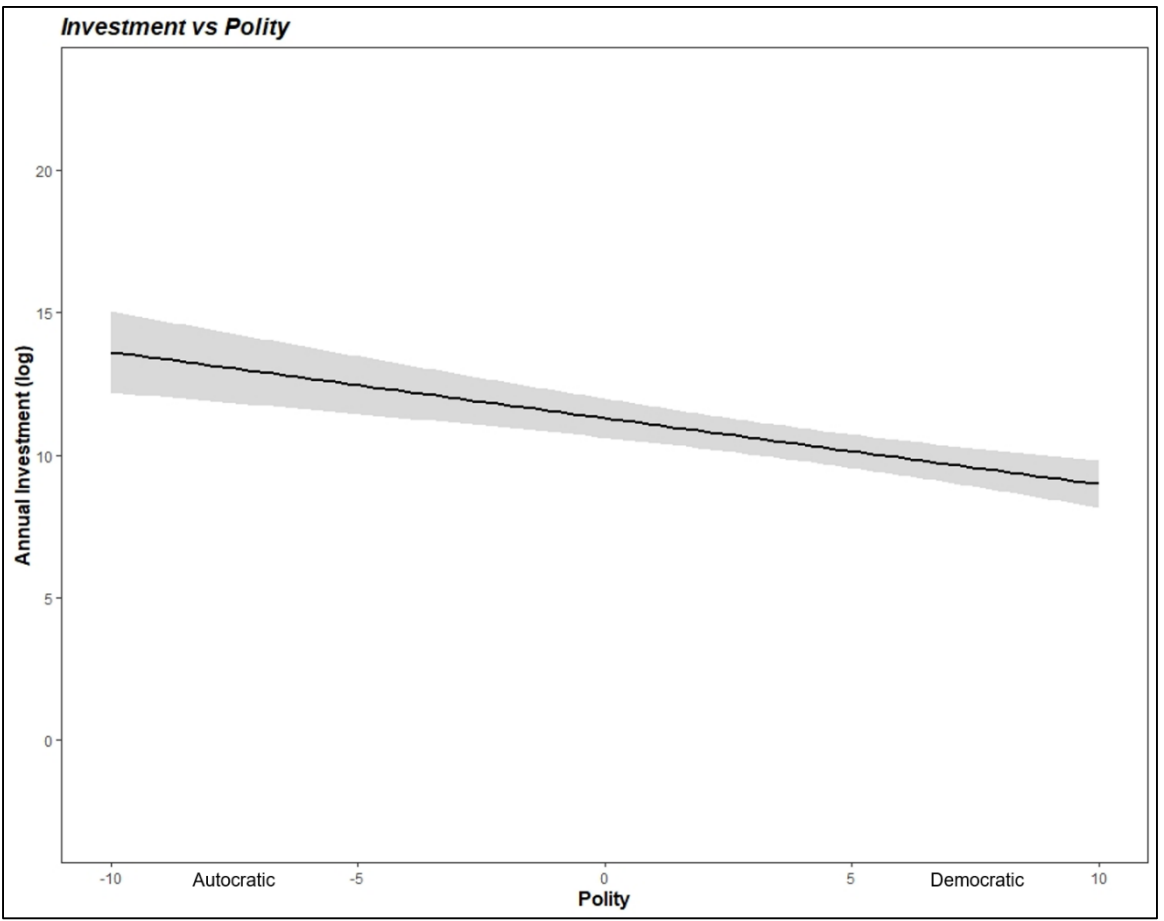
- This study developed four hypotheses to subject to quantitative testing.
- This research then conducted a regression analysis of the PRC’s investment across the globe using the investment derived from the Chinese Global Investment Tracker (CGIT) as the dependent variable.
- The independent variables considered included corruption, fragility, democracy, debt, and wealth.

Results

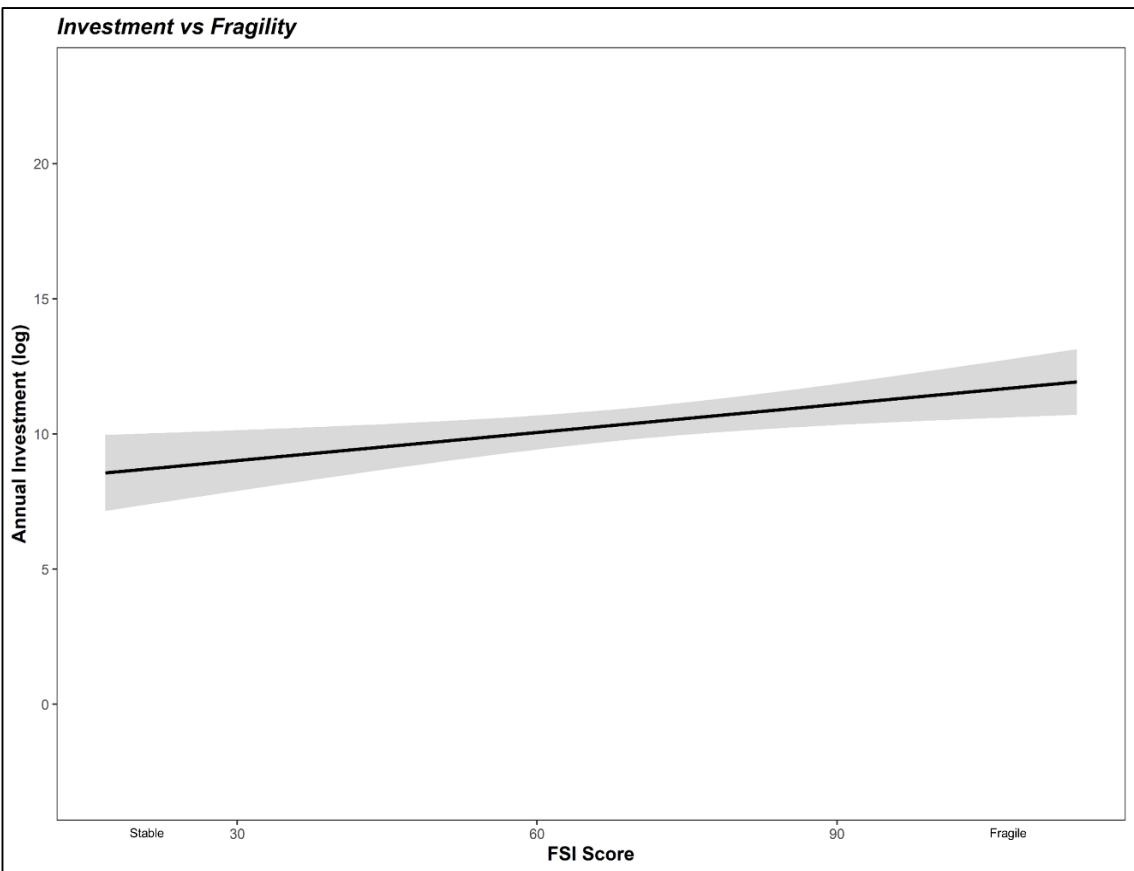
- The findings of this research show, with high levels of statistical significance, countries which meet specific criteria* will likely receive lower or higher investment from the PRC.
- The findings of this research support the claim that two general trends are emerging in how the PRC invests with the world:
 1. The PRC invests with uncorrupt, un-indebted, wealthy, democratic countries within the bounds of international norms.
 2. The PRC invests with vulnerable states in a different fashion. In countries that are corrupt, over-leveraged with debt, poor, and autocratic the PRC uses a different engagement strategy.



Investment vs Corruption and Debt



Investment vs Polity (Democracy)



Investment vs Fragility

Criteria for Increased Investment

Criteria	Yes - Meets Criteria	No - Does Not Meet Criteria
1. Higher Corruption and Higher Debt-GDP Ratio		
2. Higher Fragility		
3. Higher Autocracy		

*For ease of understanding and maximum utility, we culled three criteria that serve as a checklist for the likelihood of investment by the PRC with the goal of gaining strategic concessions.

So What?

1. These findings allow U.S. foreign policy and national security decision-makers to assess the risk within individual nations that can be leveraged into making strategic concessions to the PRC.
2. This checklist will help assess whether or not a given country is in a “high leverage” or “low leverage” situation relative to the PRC.
3. Finally, these criteria illuminate specific areas within a country where the U.S. can focus efforts of support to counter PRC economic statecraft, also known as “debt-trap diplomacy.”



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